India Capital Growth Fund

Annual report and audited financial statements

For the year ended
31 December 2015

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audited financial
statements

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Contents

Management and administration

Directors

Fred Carr (Chairman)
John Whittle
Peter Niven
Vikram Kaushik

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Investment Manager

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Administrator and Secretary

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Custodian

SBI-SG Global Securities Services Pvt. Ltd.
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Nominated Adviser

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Broker

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Management and administration (continued)

Registrar

Neville Registrars Limited
18 Laurel Lane
Halesowen
Birmingham B63 3DA

Independent Auditors

Deloitte LLP
Regency Court
Glategny Esplanade
Guernsey GY1 3HW

Chairman's statement

Whilst 2015 was disappointing for global equities, it should be remembered as the year in which India emerged as a standalone investment case. Despite a deteriorating global economic outlook, heightened geopolitical tensions, and the beginning of tighter US monetary policy; the India of 2015 has shown considerably greater resilience compared to the India of 2013, when the currency collapsed and the economy was ignominiously dubbed as a member of the Fragile Five. Against this backdrop, the Investment Manager delivered impressive returns in Sterling, with an 8.6% increase in the undiluted NAV versus 7.7% for the BSE Mid Cap Index. The majority of this was driven by equity returns, with only a 0.2% contribution from the Rupee appreciating against the Pound. The deterioration in risk appetite of investors over the year is demonstrated by the tepid response to NAV returns from the share price, which rose only by 1.0%.

In the final two Parliamentary sessions of the year, the BJP struggled to push legislation in the Rajya Sabha (Upper House) where it still sits in minority. Although the party is still in the process of learning how to grapple with the challenges that result from operating in a robust democracy, it has made, and continues to make, significant progress in reforming the Indian economy. In the last financial year, the central Government's subsidy bill constituted just over 50% of its fiscal deficit. The existing subsidy system is now being phased out with the introduction of the Direct Benefit Transfer Scheme. Since the launch of the Government's financial inclusion initiative in September 2014, every Indian household now has access to banking services, resulting in the opening of over 200 million accounts. Whilst being an impressive achievement in itself, which will facilitate the intermediation of financial services in the economy, it will also allow subsidies to be streamlined through a cash transfer from the Government into household bank accounts, thereby eliminating the middlemen through which excessive waste, pilfering and corruption occurs. 151 million Indians now receive their LPG subsidies through the scheme and it is now being piloted for the delivery of a Kerosene based cooking fuel that is predominantly used in poorer rural communities.

The drive towards fostering intra-State competition that was discussed in my Statement in the Interim Report has now been formalised. The Government has invited the World Bank and KPMG to review each State in terms of "ease of doing business" along the same parameters used for their international survey. This has had the desired effect, with each State now using the report to market their areas of strength and improve their areas of weakness in order to boost their rankings and encourage inward investment both from domestic companies and Multi National Corporations. The consequence of this is that India's overall ranking should improve and head towards Narendra Modi's stated target of reaching the top 50 within three years. The full effect of the reforms taking place will take time to be felt due to India's scale and complexity, but the direction and speed of travel is what is key. Moreover, the stable macroeconomic backdrop has created a platform for a revival in business activity and growth. India was the largest recipient of Foreign Direct Investment commitments in the first half of the year, overtaking China. Having now also replaced China as the world's fastest growing country, it is well poised to take its economic output to a level closer to its true potential.

The reforms being implemented from the top down, alongside a rigorous marketing campaign from the Prime Minister to highlight these changes, have put India at the forefront of investment decisions from overseas companies. As the country sits on the cusp of its next phase of economic growth, its stock market – with approximately 6,000 listed companies – offers abundant opportunities to capture it.

The Investment Manager's value driven philosophy is well positioned to do so with a portfolio that is constructed by a process that seeks to buy well managed, cash-generating businesses with strong corporate governance which can compound their earnings across market cycles. With this in mind, the short term uncertainty surrounding the timing of the recovery in corporate profitability, alongside global headwinds, should not deter the appetite of long term investors. In fact, the outlook for India has not looked this promising for many years and the Investment Manager believes the case for investing in India at this stage of the global and Indian economic cycle is currently a strong one. The board therefore remains hopeful of raising additional capital for the Company to invest in India by the final exercise date of the Subscription Shares of 6 August 2016.

Fred Carr | Chairman
March 2016

Investment Manager's report

After the robust gains made in 2014 following the BJP's stunning election result, 2015 was expected to be a year where further meaningful upside would be hard to come by, at least without a period of consolidation, and particularly given the then tepid economic outlook and steep valuations. And thus it turned out; the Net Asset Value (NAV) rose 8.6% in Sterling terms, outperforming the BSE Mid Cap index by 0.9% which rose 7.7%. A detailed analysis of the attribution making up this performance is provided at the end of this report, but although the gains were modest relative to 2014, Midcap India performed well in the context of the country's large caps and the emerging market peer group as a whole, reinforcing our long held belief in the structural advantages India's equity markets have to offer.

Two key elements dominated investors' radars throughout the period. Uppermost was the steady erosion of the "Modi premium" which had been quickly established by the market following the BJP's comfortable election victory. This premium valuation (in terms of India's forward price/earnings multiple relative to its history) was established on the assumption that the single party majority in the lower house of India's parliament earned by the BJP would give the Government the space to pursue much needed policy reform and thereby drive economic growth. This, in conjunction with a stable macroeconomic outlook, fashioned from lower oil and commodity prices, and a highly credible Reserve Bank, justified India's elevated valuations with an expectation that corporate profitability would recover sufficiently to justify the market's premium valuation. And whilst the latter elements of the equation kept their side of the bargain, largely accounting for India's positive relative performance to broader Emerging Markets over the period, investors' belief in the Modi dream was overshadowed by two central themes. The BJP lost two State Elections over the year. The first was in Delhi, which due to its small population is insignificant in the overall makeup of the Governments' majority, whereas Bihar which it also lost, the outcome was numerically more important but strategically less so. Whilst neither loss caused any material change to the political balance or the growth outlook (though for different reasons), put together the results have added doubt in investors' minds as to the extent of Modi's political strength.

Elsewhere, the Government's failure to successfully legislate any significant headline reform, notably the Goods and Services Tax and revisions to the Land Acquisition Act, provided the market with sufficient disappointment to cap performance. Hence domestic political failure in conjunction with weak sentiment globally forced a rapidly deteriorating macro construct around Emerging Markets as a whole. This crafted a "risk off" trade; fund flow into Emerging Markets reversed causing currency weakness, increased market volatility, and in some cases, tighter monetary policy required to offset imported inflation. Although India was not immune from this fund flow reversal, (both debt and equity portfolio flows and foreign direct investment were favourable by comparison to others in the Emerging Market peer group), India's sound macroeconomic balances and strong currency reserves negated the need for any damaging adjustments to fiscal or monetary policies. In addition, foreign investor outflows were significantly offset by a substantial pick up in flows into equities from domestic mutual funds, drawn back into equities after a long absence owing to a combination of high real interest rates, a collapse in gold and real estate prices (traditional savings products), and increased scrutiny of the cash economy. Renewed interest from the domestic investor created incremental demand for equity in small and mid-size listed companies which contributed to the outperformance of this part of the market relative to the main board stocks and with it the portfolio, which is predominantly invested in Mid Cap Indian equities. This trend of Mid Cap outperformance was enhanced from mid-year onwards by selling pressure from foreign investors, in particular exchange traded funds and global Emerging Market funds who have historically owned more liquid names, consequently putting incremental downward pressure on the index heavy weights.

The markets' disappointment around headline reform in the local market over the period was warranted. Though the Government's lack of a majority in the Upper House (where legislation failed) was implicitly understood, investors still underestimated both Modi's failure to find a political solution to contentious policies, and this combined with the opposition's reluctance to support any legislation presented to them, however progressive, caused the parliamentary process to fail. A thaw in the political frost is required in order for parliament to function properly again, and we remain hopeful that this will be a theme for 2016.

Though the Government has fallen short on legislation, it has used its executive power productively to prioritise structural reform in parts of the economy critical to longer term economic stability. Thus the energy sector, and in particular coal, oil and gas, specific areas of infrastructure, notably roads and railways and crucially financial services are undergoing seismic change. Linked to improvements in the allocation of coal resources and the supply of coal to thermal units, has been a wholesale restructuring of debt surrounding the State electricity transmission and distribution companies. It is too early to claim real progress yet, but the Government should be given credit for forcing State governments to face up to tackling these problems. In addition the BJP has taken advantage of the collapse in oil prices to de-link market action in international oil prices with the subsidy payments to the population on fuel related products. This is to the benefit of the public accounts and to a large number of consumers who now receive their subsidy in the form of a cash payment electronically to their bank account rather than in physical form. This is linked to the policy of financial inclusion at the lowest level, whereby Modi's Government has enabled the majority of the population to gain access to a bank account. Paying the subsidy directly reduces embezzlement, on a massive scale, enabling the Government to allocate tax revenues more productively whilst empowering the consumer to spend more judiciously, ensuring a win-win for all. Expectations are high that these game changing policies can be extended to food and fertiliser subsidies where the real benefits for the Government's finances can be enjoyed. Road building has been a major priority of 2015, not just in the requirement to build more but also to improve regulation and avenues for future funding in order to encourage the private sector to become more involved, and there is tangible evidence of progress here with budgeted targets for kilometres constructed for the year actually being achieved. Emphasis is now being placed on further investment by the Government in the Railways, in particular track, rolling stock, and station upgrades at both a State and a Federal level.

The long awaited recovery in corporate profitability (still largely elusive) has been the second tenet in the reduction of the "Modi premium." Over the course of 2015 the market's expectations around aggregate earnings growth was steadily revised downwards in spite of easier monetary and fiscal policies and the maintenance of steady, if not exceptional GDP growth. Although India's economy is heavily skewed towards domestically generated growth it is not immune to broader market concerns over the tightening of US interest rates, the collapse in oil prices, and the concomitant effect on global growth. Thus companies exposed to these events (large cap IT, Oil & Gas, Metals and Mining for example) were subject to successive downward revision to earnings forecasts capping investor appetite. The portfolio has never been meaningfully exposed to these sectors, tending to focus more on domestically focused companies, largely shielded from global misery. However, issues negatively affecting the outlook on the home front caused equally disappointing performance in some specific areas. The Public Sector Banks were at the forefront of this headwind, hamstrung by relentless pressure on non-performing loans and increased scrutiny by the Reserve Bank intent on cleaning up the system. The portfolio had minimal exposure to this area, but asset quality issues are hampering the expansion of credit and holding back investment, acting as a firm brake on economic expansion. It is in the long term interests of the market that the Reserve Bank forces banks to be more transparent in their accounting of poor performing assets, and though the recognition of the problems is now apparent, more time and further pain is required before the sector can be considered fully fit again. Aside from the banking sector the consumer appetite retrenched somewhat in 2015, particularly in rural areas, hampered by successive weak monsoons and a significant reduction in financial support for this community. Urban consumption remained more resilient and the outlook here is more promising in the light of the recent Pay Commission's decision to award a 25% pay rise to all public sector employees from 2017 onwards. We anticipate this effect will filter through in quick time.

Looking forward to 2016, as India's growth and earnings dynamics continue to look more stable and attractive than much of the Emerging Market peer group we expect a solid if not spectacular year ahead, much along the lines of 2015, assuming volatility in global equities subsides after a tough start. 'Tough' is perhaps an understatement as India has not escaped the extreme volatility that engulfed global markets post the financial year end. As is often the case in periods of intense 'risk off' trading activity, selling is indiscriminate with good and bad alike being equally punished, and in the case of the portfolio, the situation is no different. Hence the undiluted NAV has fallen 8.3%[1] since the start of the year, marginally underperforming its notional benchmark. This has been somewhat offset by the strong performance of the Indian Rupee against the value of Sterling, which rose 3.2% to the end February, supporting the share price which has fallen 8.0%.

As India continues to stand out from the Emerging Market pack as a growth opportunity, with a stable political and macro framework and a reformist agenda, we expect both Foreign and Domestic investors to continue to support the market. On the issue of reform, we anticipate ongoing progress via the Executive as was the case in 2015 whilst remaining cautiously optimistic of a more constructive legislature. In addition the Reserve Bank will continue to pursue growth orientated monetary policy with further cuts to nominal interest rates as inflation is expected to remain within the stated target and providing the Government continues to pursue fiscal probity. This will enable corporates to continue the deleveraging process and assist banks to clean up their balance sheets. In due course this will catalyse a private sector investment cycle addressing much needed infrastructure development. There is much to look forward to still.

Portfolio performance

The NAV was supported by a fractional depreciation of Sterling versus the Indian Rupee. With the exception of Financials, Information Technology and Energy all sectors generated absolute returns for the year. These were led by Healthcare stocks, in particular Divis Laboratories (3.3% position, up 35%), Ajanta Pharma (2.7% position, up 29%) and Neuland Laboratories (1.15% position, up 63%). Elsewhere positive contributions came from Materials, driven by Berger Paints (2.8% position, up 34%) and PI Industries (3.9% position, up 26%). Equally important was the contribution from the Industrial sector, led by Kajaria Ceramics (4% position, up 67%) and Voltas (2% position, up 35%). On the downside, portfolio holding Indian Bank (1.8% position) fell 46% as did property developer Sobha (2.3% position, down 35%) in addition to Information Technology company KPIT Cummins (1.6% position, down 16%) and Tech Mahindra (3.4% position, down 18%). Finally, in the Energy sector, Aban Offshore (0.7% weight) fell 49.4%. More details on the portfolio holding and turnover are included later in this report.

Top 10 companies

Dewan Housing Finance Corporation
(4.6% of the portfolio)

Dewan Housing Finance is the third largest private sector Housing Finance Company in India. It was established in 1984 and over the last 30+ years, has concentrated on the low to middle income segment by providing finance to low cost houses. We are extremely positive on the long term prospects of housing finance in India, particularly in the low income segment, which has less pricing pressure and also has a favourable competitive environment as establishing a network is difficult and time consuming. Based on the closing market price on 31 December 2015, the stock trades at a price to projected FY17 earnings ratio of 7.3x and 1.2x projected FY17 book value.

Jyothy Laboratories
(4.4% of the portfolio)

Jyothy is a Mumbai-based FMCG company with 21 manufacturing units at 14 locations across India. It has six business divisions namely Fabric Care, Household Insecticide, Utensil Cleaners, Fragrances, Personal Care and Fabric Care Service, under the brands Ujala, Maxo, Exo, Jeeva and Maya. With its successful purchase and integration of Henkel in 2011 now bearing fruit, we see a period of sustained above market growth along with operating leverage driving earnings. Based on the closing market price on 31 December 2015, the stock trades at a price to projected FY17 earnings ratio of 31.7x.

Kajaria Ceramics Ltd
(4.3% of the portfolio)

Kajaria is the largest tile manufacturer in India and a leader in North India. Tile penetration in India is still very low and consumption should benefit from the housing boom and commercial developments in Tier 2 and 3 cities, along with higher consumer aspirations. Market dynamics are favourable, with CAGR of the tile market at 15-16% in last five years, while expectation is for this growth to continue over the next five years given the Government initiatives on Railway modernisation and Clean India. There is also a gradual upward movement in value chain, which has led to higher realisations and margins. Kajaria has industry-leading margins due to low proportion of imports, higher sales to retail, and superior product mix. It has increasingly been using a Joint Venture model to enhance its geographical footprint, which should fuel growth

[1] As at 9 March 2016

and improve ROCE. Based on the closing price on 31 December 2015 the stock trades at a price to projected FY17 earnings ratio of 27.5x.

Federal Bank Limited
(3.9% of the portfolio)
Federal Bank is an old private sector bank with a network of over 1,000 branches and a dominant presence in the southern Indian state of Kerala. The Bank's lending is dominated by the SME (small and medium enterprises) and retail segments (30% each of the loan book). Having re-engineered its credit underwriting process and put in place solid risk management architecture over the last two years, Federal Bank is now poised for the next phase of "Growth with Quality". We continue to believe that the Bank is a potential re-rating story, on the back of improving profitability and growth, aided by a healthy capital position. Based on the closing market price on 31 December 2015, the stock trades at a price to projected FY17 earnings ratio of 8.4x and 1.0x projected FY17 book value.

Divis Laboratories
(3.8% of the portfolio)
Divis Laboratories provides contract research and manufacturing services to the global pharmaceutical industry. It does not develop or market any final product of its own, but manufactures and supplies key ingredients to front-end pharmaceutical companies, who in turn formulate and market them to the final consumers. The company undertakes custom manufacture of active product ingredients for innovator companies and to generic companies where it benefits from strong economies of scale. Divis selects products with complex chemistry, develops proprietary, efficient processes to manufacture them and tries to capture a large share of the global market for products where it can control pricing. Based on the closing market price on 31 December 2015 the stock trades at a price to projected FY17 earnings ratio of 23.7x.

PI Industries
(3.7% of the portfolio)
PI Industries (PI) focuses on domestic agri-input and custom synthesis business. In domestic agri-input, PI has tie-ups with global multi-national companies for IP products, through which it has obtained exclusive rights for distribution of licenced products in India and is constantly on the lookout to expand its operations/tie-ups. In FY16, in a tough domestic agro-chemicals market, PI has been able to grow because of its niche focus on few products and exclusive tie-ups. On account of its R&D driven approach, PI has become a preferred partner for companies for custom synthesis coupled with a non-compete and IP driven business model. It has a strong order book of US$615m which ensures long term revenue visibility in the custom synthesis segment. Based on the closing market price on 31 December 2015, the stock trades at a price to projected FY17 earnings ratio of 25.3x.

Yes Bank
(3.7% of the portfolio)
Yes Bank is a new generation private sector bank, run by a highly competent top management team that has established a high quality, customer centric, service driven bank; now the fourth largest private sector bank in India. Having expanded to over 750 retail branches, the bank is focusing on building a strong retail franchise, targeting 45% of its assets and deposits to come from retail consumers. Similarly, it is aiming to increase its share of CASA (current account and saving account) deposits to 40% by 2020 from the current 26.6%. The Bank has consistently delivered high shareholder returns during the last five years with RoE greater than 20% and RoA in the range of 1.3% to 1.5%. We see this trend continuing as it builds its retail franchise. It has also maintained best-in-class asset quality on account of better asset acquisition. Based on the closing market price on 31 December 2015, the stock trades at a price to projected FY17 earnings ratio of 9.9x and 1.9x projected FY2017 book value.

IndusInd Bank
(3.6% of the portfolio)
IndusInd Bank is also one of the new generation private sector banks in India which commenced its operations in 1994. IndusInd has become one of the leading commercial vehicle and two wheeler financiers in the country, and now has a diversified loan book with 44% in consumer finance and 56% in corporate and commercial Banking. Its key strength lies in its ability to raise low cost current account and saving account deposits which account for 35% of the total deposits. The bank's focus is to further improve this by aggressively increasing the branch network from 905 branches to 1,200 branches by FY17. Over the last couple of years IndusInd has improved its RoA to 1.85% and ROE to 18% through a combination of its profitable consumer finance franchise, stable asset quality and a large non-fund based portfolio. Based on the closing

market price on 31 December 2015, the stock trades at a price to projected FY17 earnings ratio of 19x and 2.9x projected FY2017 book value.

Max India
(3.4% of the portfolio)
Max India is a diversified insurance group with interests in life insurance, health insurance, hospitals and speciality films. The group holds a 72% stake in a life insurance venture called Max Life, which is one of the top five private sector life insurance companies in India. While the life insurance market in India has shown weakness in new business uptake over the last five years, Max India has grown in new business in three out of last five years. This has led to rapid growth in AUM and a CAGR of more than 20%. The group announced a restructuring plan in December 2014, whereby the existing business will be formed in three separate companies – life insurance, healthcare (including health insurance) and speciality films. Based on the closing market price on 31 December 2015, the stock trades at a price to projected FY17 earnings ratio of 37.6x and 3.7x projected FY17 book value.

Berger Paints
(3.4% of the portfolio)
Berger Paints is the second largest paints company in India headquartered in Kolkata, India with a market share of 18%. With strategically located plants, Berger has a strong foothold in the East and North and mainly in Tier 2 cities. Its market share has increased owing to its sustained aggression in product development, robust expansion of its distribution network, differentiated marketing propositions targeting the middle and lower class and enhanced brand visibility. Despite being a mass market player, over the last couple of years, Berger has concentrated on a premium product mix with a higher focus on the luxury segment (Silk, Weathercoat All Guard and Easy Clean). Based on the closing market price on 31 December 2015, the stock trades at a price to projected FY17 earnings ratio of 40x.

Ocean Dial Asset Management
March 2016

Directors

The Directors as at 31 December 2015, all of whom are non-executive, are as follows:

Fred Carr (Chairman)

Aged 70, Fred was appointed to the Board as Chairman on 17 September 2009. He spent his career in stockbroking and investment management, ultimately (1993 - 2004) as Chief Executive of Carr Sheppards Crosthwaite. He is a Fellow of the Chartered Institute of Securities and Investment. He is a resident of the United Kingdom.

Vikram Kaushik

Aged 65, Vikram was appointed to the Board on 14 June 2012. He is a resident of India where he has worked throughout his career. He initially spent more than 16 years working for Unilever before moving to the advertising sector and then back to the FMCG sector as Vice President of Britannia Industries. In 1999, he was appointed a Director of Colgate Palmolive and in 2004 he was appointed Managing Director & CEO of Tata Sky. Mr Kaushik retired from Tata Sky and now consults with PricewaterhouseCoopers and is advisor to Voltas, a Tata Group company. He has served on the Government Committee for Restructuring Public Service Broadcasting in India and on the Sectoral Committee for Innovation in Media set up by the Prime Minister's Office in India. He also mentors start-ups in the media/technology sector. In 2016, he has become a Fellow of the Advanced Leadership Initiative at Harvard.

Peter Niven

Aged 61, Peter was appointed to the Board on 11 August 2011. He has over 35 years' experience in the financial services industry both in the UK and offshore. He was a senior executive in the Lloyds TSB Group until his retirement in 2004 and until July 2012 was the Chief Executive of Guernsey Finance LBG, promoting the island as a financial services destination. He is a Fellow of the Chartered Institute of Bankers and a Chartered Director. He is a resident of Guernsey.

John Whittle

Aged 60, John was appointed to the Board on 17 November 2011. He is a Chartered Accountant and holds the IoD Diploma in Company Direction. He was previously Finance Director of Close Fund Services, a large independent fund administrator. Prior to moving to Guernsey he was at Pricewaterhouse in London before embarking on a career in business services, predominantly telecoms. He is a resident of Guernsey.

Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges

The following summarises the Directors' directorships in other public companies:

	COMPANY NAME	STOCK EXCHANGE
Fred Carr		
	M&G High Income Investment Trust Plc	London
Vikram Kaushik		
	Vaibhav Global Limited	India
Peter Niven		
	F&C Commercial Property Trust Limited	London
	Guernsey Portfolios PCC Limited	CISE
	SQM Asset Finance Income Fund Limited	London
John Whittle		
	Advance Frontier Markets Fund Limited	AIM
	GLI Finance (as alternate)	AIM
	Globalworth Real Estate Investments Limited	AIM
	International Public Partnerships Ltd	London
	Starwood European Real Estate Finance Limited	London
	Toro Ltd	SFM

Directors' report

The Directors present their Annual Report and the Audited Financial Statements of the Company for the year ended 31 December 2015 which have been properly prepared in accordance with The Companies (Guernsey) Law, 2008.

The Company

India Capital Growth Fund Limited (the "Company") was registered in Guernsey on 11 November 2005 and is a closed-ended investment company. At 31 December 2015, the Company has one wholly owned Mauritian subsidiary, ICG Q Limited. The Company's Ordinary Shares and Subscription Shares were admitted to trading on the AIM market of the London Stock Exchange ("AIM") on 22 December 2005 and 12 August 2014 respectively.

Investment policy

The Company's investment objective is to provide long-term capital appreciation by investing (indirectly) in companies based in India. The investment policy permits the Company to make investments in a range of Indian equity and equity linked securities and predominantly in listed mid and small cap Indian companies with a smaller proportion in unlisted Indian companies. Investment may also be made in large-cap listed Indian companies and in companies incorporated outside India which have significant operations or markets in India. While the principal focus is on investment in listed equity securities or equity linked securities, the Company has the flexibility to invest in bonds (including non-investment grade bonds), convertibles and other types of securities. The Company may, for the purposes of hedging and investing, use derivative instruments such as financial futures, options and warrants. The Company may, from time to time, use borrowings to provide short-term liquidity and, if the Directors deem it prudent, for longer term purposes. The Directors intend to restrict borrowings on a longer term basis to a maximum amount equal to 25% of the net assets of the Company at the time of the drawdown. It is the Company's declared policy not to hedge the exposure to the Indian Rupee.

Results and dividends

The Company's performance during the year is discussed in the Investment Manager's Report on pages 5 to 9.

The results for the year are set out in the audited statement of comprehensive income on page 30.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2015 (31 December 2014: £Nil).

Substantial interests

Shareholders who at 31 December 2015 held an interest of 3% or more of the Ordinary Share Capital of the Company are stated in the table below:

	No. Shares	% Holding
Gramercy	20,505,915	27.34
Lazard Asset Management	19,537,883	26.05
Miton Asset Management	5,975,000	7.97
Rathbones	3,559,011	4.75
Hargreaves Lansdown	2,326,176	3.10

At 31 December 2015, the Investment Manager, Ocean Dial Asset Management Limited and connected persons (not elsewhere disclosed) held in aggregate 622,581 Ordinary Shares (0.83%) in the Company.

Directors

The names and a short biography of the Directors of the Company, each of whom served throughout the year and to date, are set out on page 10.

Directors' interests

At 31 December 2015, Directors and their immediate families held the following declarable interests in the Company:

	Ordinary shares
Fred Carr	130,000
Peter Niven	25,000
John Whittle	20,000

Independent Auditor

The Independent Auditor, Deloitte LLP, has indicated their willingness to continue in office. Accordingly, a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Ongoing Charges

In accordance with the recommended methodology set out by the Association of Investment Companies ("AIC"), the ongoing charges ratio of the Company and its subsidiary for the year ended 31 December 2015 was 1.99% (31 December 2014: 2.26% and 31 December 2013: 2.75%).

Corporate governance

The AIC Code of Corporate Governance (the "AIC Code") was updated in March 2015 following the issuance of a new UK Corporate Governance Code (the "UK Code") by the UK Financial Reporting Council in September 2014. It is designed to provide Boards of its member investment companies with a framework of best practice in respect of the governance of investment companies. The Company's shares are quoted on AIM, and as such the Company is not formally required to comply with the UK Code. However, the Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and accordingly seek to comply with the principles of the AIC code.

The Company is also required to comply with the Code of Corporate Governance issued by the Guernsey Financial Services Commission ("GFSC Code"). Companies reporting against the UK Code or the AIC Code are deemed to comply with the GFSC Code.

Corporate governance principles

The Board considers that it has complied with the AIC Code during the year ended 31 December 2015 except that there is no provision in the Company's Articles of Incorporation which requires Directors to seek re-election on a periodic basis, and only Directors appointed to fill a casual vacancy seek re-election at the AGM immediately following their appointment. There is no limit on length of service, nor is there any upper age restriction on Directors. The Board considers that there is significant benefit to the Company arising from continuity and experience among Directors, and accordingly does not intend to introduce restrictions based on age or tenure. It does however believe that shareholders should be given the opportunity to review membership of the Board on a regular basis. The Board has thus resolved that, in addition to the Articles requirement for re-election at the AGM immediately following appointment, any Director who has served for more than nine years should offer him or herself for re-election annually, and that one third of the remaining Directors should retire by rotation at each AGM and be eligible to seek re-election.

Composition and independence of the Board

The Board currently consists of four non-executive directors, all of whom are independent. The Chairman of the Board is Fred Carr. In considering the independence of the Chairman, the Board has taken note of the provisions of the AIC Code relating to independence, and has determined that Mr Carr is an Independent Director. As the Chairman is an Independent Director, no appointment of a Senior Independent Director has been made. The Company has no employees and therefore there is no requirement for a Chief Executive.

Board Meetings

The Board generally meets on at least four occasions each year, at which time the Directors review the management of the Company's assets and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Company's affairs. The Board is responsible for the appointment and monitoring of all service providers to the Company.

Board meetings, Committee meetings and Directors' attendance

During the year the Directors in attendance at meetings were as listed in the table below:

	Board Meetings Held	Board Meetings Attended	Audit Committee Held	Audit Committee Attended
Fred Carr (Chairman)	4	4	–	–
Vikram Kaushik	4	4	–	–
Peter Niven	4	4	2	2
John Whittle	4	4	2	2

Performance evaluation

On an annual basis the Board formally considers the independence of its members, its effectiveness as a Board, the balance of skills represented and the composition and performance of its committees. The Board considers that it has an appropriate balance of skills and experience in relation to the activities of the Company and offers relevant training where necessary. The Chairman evaluates the performance of each of the Directors on an annual basis, taking into account the effectiveness of their contributions and their commitment to the role. The performance and contribution of the Chairman is reviewed by the other Directors under the leadership of the Chairman of the Audit Committee. The conclusion of the 2015 review was that the skill sets of the members of the Board were complementary, and that the Board functioned effectively.

Nomination committee

The size of the Board and independence of its members are such that it fulfils the role of the Nomination Committee. Any proposal for a new director is discussed and approved by the Board, having considered the current skills, experience and diversity of the Board. The Board will determine whether an external search consultancy or open advertising is used in the appointment of a non-executive director and ensure relevant induction training is provided upon commencement. The Chairman will not chair the Board meeting when it is dealing with the appointment of a successor to the chairmanship.

Remuneration Committee

As the Directors are non-executive and few in number, the Board has decided that it is not appropriate to form a separate Remuneration Committee. Remuneration is reviewed annually and discussed by the Board as a whole with independent input.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Audit committee

The members of the Company's Audit Committee are provided on page 20. The Audit Committee conducts formal meetings throughout the year for the purpose, amongst others, of considering the appointment, independence, effectiveness of the audit and remuneration of the auditors and to review and recommend the annual statutory accounts and interim report to the Board. Full details of its functions and activities are set out in the Report of the Audit Committee on pages 20 to 22.

Risk Management and Internal control

The Board is responsible for establishing and maintaining the Company's system of internal controls and for maintaining and reviewing its effectiveness. The system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives and as such can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board also considers the process for identifying, evaluating and managing any significant risks faced by the Company. At each quarterly meeting of the Board a report on the control environment and risk assessment is presented and considered. Changes in the risk environment are highlighted as are changes in the controls in force to manage or mitigate those risks. The Board is satisfied that appropriate controls are in place in relation to the key risks faced by the business.

Principal Risks and Uncertainties

The Board has drawn up a risk assessment matrix, which identifies the key risks to the Company. These fall into the following broad categories:

- Investment Risks: The Company is exposed to the risk that its portfolio fails to perform in line with the investment objectives and policy if it is inappropriately invested or markets move adversely. The Board reviews reports from the Investment Manager at each quarterly Board meeting, paying particular attention to the constitution of the portfolio, its liquidity and its attribution by sector and weighting compared to the BSE Mid Cap Index.

- Operational Risks: The Company is exposed to the risks arising from any failure of systems and controls in the operations of the Investment Manager, the Administrator, or the Company's other service providers. The Audit Committee visit the Investment Manager annually to perform a due diligence review of its controls and the Board receives reports annually from the Administrator on their internal controls.

- Accounting, Legal and Regulatory Risks: The Company is exposed to risk if it fails to comply with the regulations of the AIM Listing Authority and the Guernsey, Mauritian and Indian laws and regulations or if it fails to maintain accurate accounting records. The Investment Manager and Administrator provides the Board with regular reports on changes in regulations and accounting requirements.

- Taxation Risks: The Company is exposed to the risk of additional taxation charges from several geographical jurisdictions in which the Company, its service providers or its investment portfolio resides. The risk that appropriate tax residency is not maintained may result from poor administration or by changes in Government policy. The board receives quarterly updates from the Investment Manager and the Administrator who is responsible for tax residence administration.

- Financial Risks: The financial risks, including market, foreign currency, credit and liquidity risk, faced by the Company, where appropriate, are set out in note 12 to the financial statements. These risks and the controls in place to mitigate them are reviewed at each quarterly Board meeting.

The Board seeks to mitigate and manage these risks through continual review, policy-setting and enforcement of contractual obligations and will update the risk assessment matrix to reflect any changes to the control environment.

The Board confirms that they have carried out a robust assessment of the principle risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

Supply of information to the Board

Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance and compliance. A representative of the Investment Manager attends each Board meeting thus enabling the Board to discuss fully and review the Company's operation and performance. Each Director has direct access to the Company Secretary, and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

Delegation of functions

The Board has contractually delegated various functions as listed below, to external parties. Each of these contracts have been entered into after full and proper consideration by the Board, mindful of the quality and cost of services offered, including the control systems in operation as far as they relate to the affairs of the Company. The duties of investment management, accounting and custody are segregated.

- Investment Management is provided by Ocean Dial Asset Management Limited, a company authorised and regulated in the United Kingdom by the Financial Conduct Authority (FCA).

- Administration and Company Secretarial duties for the Company during the year were performed by Apex Fund Services (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission. Those for the subsidiary were performed by Apex Fund Services (Mauritius) Limited, a company registered in Mauritius and licensed by the Financial Services Commission in Mauritius.

- Custody of assets is undertaken by SBI-SG Global Securities Services Pvt Limited, a joint venture between the State Bank of India (SBI) and Societe Generale Securities Services (SG), which is registered as a custodian with the Securities and Exchange Board of India (SEBI).

The Board has instituted a formal annual review of the performance of all material external service providers and of the related contractual terms.

Investment management

The Investment Manager is entitled to receive a management fee payable jointly by the Company and the Mauritian subsidiary, ICG Q Limited, equivalent to 1.5% per annum of the Company's Gross Asset Value, calculated and payable monthly in arrears. The Company's Gross Asset Value consists of the Net Assets of the Company before the deduction of management fees. For purposes of the calculation of these fees current liabilities exclude any proportion of principal amounts borrowed for investment. To date, the Company has not borrowed for investment or any other purpose.

No separate Management Engagement Committee has been constituted as the monitoring of management is considered a primary function of the Board. The Board as a whole reviews the performance of the Investment Manager at each quarterly Board Meeting and considers whether the investment strategy utilised is likely to achieve the Company's investment objective. Having considered the portfolio performance and investment strategy, the Board has agreed that the interests of the shareholders as a whole are best served by the continuing appointment of the Investment Manager on the terms agreed.

The Investment Management Agreement continues in force until determined by the Investment Manager or the Company giving not less than 12 months' notice to the other party.

From time to time the extent of powers delegated to the Investment Manager and matters upon which decision making is reserved to the Board. In particular, the approval of the Board (or a designated committee) is required in relation to:

- Borrowings (other than on a temporary basis)
- Investment in unlisted securities (other than those arising on a temporary basis from demergers from existing listed holdings).
- Exercise of share buy-back powers
- Policy on currency hedging

The Investment Manager reports to the Board on a semi-annual basis on brokers used for executing trades and the commission paid to brokers analysed between brokerage and research services. The Investment Manager does not use commissions paid by the Company to pay for services used by the Investment Manager other than directly related research services provided by the broker. There is a procedure in place whereby any prospective conflict of interest is reported by the Investment Manager to the Chairman and a procedure to manage the prospective conflict agreed. The Investment Manager's policy on conflicts is reviewed by the Board annually.

The provisions of the UK Stewardship Code do not apply to the Company as all investments are outside the United Kingdom. The Board has delegated to the Investment Manager the power to vote in relation to ICG Q Limited's, the Company's wholly-owned subsidiary, holdings in Indian listed companies.

Alternative Investment Fund Managers Directive ("AIFMD")

The Board has appointed the Investment Manager to act as its AIF Manager.

The Investment Manager, Ocean Dial Asset Management Limited, is registered with the FCA as an Alternative Investment Manager ("AIFM") and is authorised as a small Authorised UK AIFM. Consequently, AIFM remuneration disclosures are not required.

Foreign Account Tax Compliance Act

For purposes of the US Foreign Account Tax Compliance Act, the Company registered with the US Internal Revenue Services ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI"), received a Global Intermediary Identification Number and can be found on the IRS FFI list. The responsible officer is Robin Sellers, CEO of the Investment Manager.

The Company is subject to Guernsey regulations and guidance based on reciprocal information sharing inter-governmental agreements which Guernsey has entered into with the United Kingdom and the United States of America. The Board will take the necessary actions to ensure that the Company is compliant with Guernsey regulations and guidance in this regard. The States of Guernsey signed an intergovernmental agreement with the UK ("UK-Guernsey IGA") on 22 October 2013, under which mandatory disclosure requirements will be required in respect of account holders who have a UK connection. The Board is monitoring implementation of the UK-Guernsey IGA with the assistance of its professional advisers.

Shareholder communications

A report on Shareholder communications is considered at each quarterly Board Meeting. A monthly Fact Sheet is published on the Company's website reporting the month-end Net Asset Value and with a commentary on performance. In addition, the Investment Manager reports a weekly estimated, unaudited Net Asset Value. The Investment Manager and the Corporate Broker maintain regular dialogue with institutional shareholders, feedback from which is reported to the Board. In addition, Board members are available to answer shareholders' questions at any time, and specifically at the Annual General Meeting. The Company Secretary is available to answer general shareholder queries at any time during the year. The Board monitors activity in the Company's shares and the discount or premium to Net Asset Value at which the shares trade both in absolute terms and relative to the Company's peers.

The Company has the authority, subject to various terms as set out in its Articles and in accordance with The Companies (Guernsey) Law, 2008, to buy-back in the market, up to 14.99% of the shares in issue. The Company intends to request renewal of this power from shareholders on an annual basis. The Board did not consider it appropriate to exercise such powers in 2015.

In order to ensure the Board members have an understanding of the views of the major shareholders about their Company, the Investment Manager and the Corporate Broker, who regularly engage with those shareholders, both report those views to the Board Members at each board meeting.

Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements since the assets of the Company's wholly-owned subsidiary consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Viability Statement

The Directors have assessed the prospects of the Company for a period of three years. The Board believes this time period is appropriate having consideration for the Company's principal risks and uncertainties, its portfolio of liquid listed equity investments and cash balances and the Company's "Three Yearly Assessment" as agreed at the 2014 AGM. In making this assessment, the Directors have considered detailed information provided at board meetings which includes the Company's balance sheet, market capitalisation, share price discount, investment performance and in particular, performance against the BSE Mid Cap Index, investment portfolio liquidity, income and operating expenses. Based on the above, the Board confirms it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of this assessment, assuming there are no significant changes in the global financial markets over the three year period.

Approved by the Board of Directors and signed on behalf of the Board on 16 March 2016.

Peter Niven

John Whittle

Statement of Directors' Responsibility in respect of the Annual Audited Financial Statements

The Directors are responsible for preparing the Directors' Report, Directors' Remuneration Report, Portfolio Statement and the Financial Statements in accordance with applicable laws.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Financial Statements in conformity with International Financial Reporting Standards ("IFRS"), as adopted by the EU and applicable law.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

We confirm to the best of our knowledge that:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's Auditor is aware of that information;
- these Financial Statements have been prepared in conformity with IFRS as adopted by the EU and give a true and fair view of the financial position of the Company; and
- this Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company's performance, business model and strategy.

Signed on behalf of the Board by:

Peter Niven

John Whittle
16 March 2016

Unaudited Directors' Remuneration Report

Introduction

An ordinary resolution for the approval of the Directors' Remuneration Report will be put to the Shareholders at the next Annual General Meeting.

Remuneration Policy

Since the Directors are non-executive and few in number, the Company has not established a Remuneration Committee.

The Company's Articles of Incorporation provide that unless otherwise determined by ordinary resolution, the number of the Directors shall not be less than two and the aggregate remuneration of all Directors in any 12 month period or pro rata for any lesser period shall not exceed £100,000 or such higher amount as may be approved by ordinary resolution. The level of Directors' fees is determined by the whole Board on an annual basis but no Director is involved in setting his own remuneration. When considering the level of Directors' remuneration the Board considers the industry standard and the level of work that is undertaken.

The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in or with a view to the performance of their duties or in attending meetings of the Board or of committees or general meetings.

The Board shall have the power at any time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, provided that no person shall be appointed as a Director under any provision of the Articles if their appointment would cause or permit the aggregate of the number of Directors resident in the United Kingdom or the United States for the purposes of United Kingdom or United States taxation, as the case may be, to constitute a majority of Directors. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Remuneration

As a result of its annual review of Directors' remuneration, the Board as a whole determined to increase directors' fees with effect from 1 January 2016 as listed below with directors' fees for the year ended 31 December 2015 and 31 December 2014:

	With effect from 1 Jan 2016 £	For the year ended 31 Dec 2015 £	For the year ended 31 Dec 2014 £
Fred Carr (Chairman)	28,000	25,000	25,000
Peter Niven (Chairman of the Audit Committee)	22,000	19,000	19,000
Vikram Kaushik	20,000	18,000	18,000
John Whittle	20,000	16,000	16,000
Jamie Cayzer-Colvin (resigned on 29 May 2014)	-	-	8,000

No additional sums were paid in the year to Directors for work on behalf of the Company outside their normal duties. None of the Directors had a service contract with the Company during the year and accordingly a Director is not entitled to any minimum period of notice or to compensation in the event of their removal as a Director.

Signed on behalf of the Board by:

Peter Niven

John Whittle

16 March 2016

India Capital Growth Fund

Report of the Audit Committee

Introduction

The Audit Committee (the "Committee") Report for 2015 is presented below. As in previous years, the Committee has reviewed the Company's financial reporting, the independence and effectiveness of the Independent Auditor and the internal control and risk management systems of the Company and its service providers.

Structure and Composition

The Committee is chaired by Peter Niven and the other member is John Whittle.

The Chairman of the Committee is appointed by the Board and the members are appointed by the Board, in consultation with the Chairman of the Committee. The Committee shall have a minimum of two members. All members of the Committee shall be independent non-executive directors with recent relevant financial experience.

The Audit Committee conducts formal meetings at least twice a year, normally immediately preceding the Board meetings at which the financial statements for the half-year and year end are reviewed. Only members of the Committee have the right to attend meetings although, with the consent of the Chairman of the Committee, other Directors may be in attendance. The table on page 14 sets out the number of Audit Committee meetings held during the year ended 31 December 2015 and the number of such meetings attended by each committee member. The independent auditor is invited to attend those meetings at which the annual and interim reports are considered. The independent auditor and the Committee may meet together without representatives of either the Administrator or Manager being present if either considers this to be necessary.

Principal Duties of the Committee

The role of the Committee includes:

- monitoring the integrity of the financial statements and any formal announcements regarding financial performance;
- reviewing and reporting to the Board on the significant issues and judgements made in the preparation of the Company's published financial statements, (having regard to matters communicated by the independent auditors) preliminary announcement and other financial information;
- reviewing the effectiveness of the external audit process and the auditors' independence;
- considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Company's independent auditor;
- reviewing arrangements by which persons associated with the key service providers are able to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that appropriate proportionate independent investigation of such matters is undertaken; and
- assessing whether the Annual Report and Financial Statements taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company's performance, business model and strategy.

The complete details of the Committee's formal duties and responsibilities are set out in the Committee's terms of reference, which can be obtained from the Company's website.

Independent Auditor

Following a competitive tender process, Deloitte LLP replaced Ernst & Young LLP as the Independent Auditor of the Company in respect of the year ended 31 December 2015.

The recent revisions to the UK Corporate Governance Code introduced a recommendation that the independent audit of FTSE 350 companies be put out to tender every 10 years. Similarly, the EU and the Competition Markets Authority have also issued requirements to tender every 10 years and extend for a maximum of further 10 years before mandatory rotation, which is yet to be finalised. The Committee will follow the developments around the FRC, EU and Competition Markets Authority guidance on tendering at the appropriate time.

The independence and objectivity of the Independent Auditor is reviewed by the Audit Committee which also reviews the terms under which the independent auditor is appointed to perform non-audit services. The outsourcing of any non-audit service to the Independent Auditor requires prior Committee approval where fees for the service are in excess of £10,000 cumulative over the financial year.

As a general rule, the Company does not utilise the Independent Auditor for internal audit purposes, secondments or valuation advice. Services which are in the nature of audit, such as tax compliance, private letter rulings, accounting advice, quarterly reviews and disclosure advice are normally permitted relative to the established non-audit services policy of the Company.

Given that the fees paid by the Company listed below are currently below the specified threshold, the Company can be deemed to not be in breach of independence and objectivity.

Evaluations during the year

The following assessments have been made by the Committee during the year:

Significant Financial Statement Issues

Liquidity and Valuation - The ongoing liquidity of the Company's investment portfolio was evaluated, which included a review of both financial and relative non-financial information. Due to the liquid nature of ICG Q Limited's holdings and the Company's ability to effect a disposal of any investment in ICG Q Limited's portfolio at the prevailing market price and the distribution of proceeds back to the Company should it so wish, it was determined that no illiquidity discount would be applied in determining the fair value of the Company's investment in ICG Q Limited.

The foregoing matter was discussed during the planning and final stage of the audit and there were no significant disagreements between the management and the Independent Auditor.

Effectiveness of the External Audit Process

The Committee had formal meetings with Deloitte LLP during the course of the year: 1) at the review and approval of the year end accounts, which included planning discussion for the next half-year accounts; and 2) at the review and approval of the half-year accounts, which included planning discussion for the next annual accounts. The Committee performed the following in relation to its review of the effectiveness and independence of the Independent Auditor:

- Reviewed the audit plan presented to the Committee before the start of the audit;
- Reviewed the post audit report;
- Reviewed the Auditor's own internal procedures to identify threats to independence, which included obtaining confirmation from the Independent Auditor of their independence;
- Discussed with both the Manager and the Administrator any feedback on the external audit process; and
- Reviewed and approved terms of the engagement of both the audit and non-audit services during the year, which included an evaluation of the relating fees.

In addition, the Committee intends to perform a specific evaluation of the performance of the independent auditor which will be supported by the results of questionnaires to be completed by the Committee. This questionnaire will cover areas such as quality of audit team, business understanding, audit approach and management.

There were no significant findings from the evaluation this year and the Committee is satisfied that the external audit process is effective.

Audit fees and Non-audit Services

The table below summarises the remuneration paid by the Company to the Independent Auditor:

	2015 £	2014 £
Annual Audit	22,500	22,500
Interim Review	3,500	3,000
Tax Services - FATCA review	4,500	-

Internal Control

The Audit Committee has examined the need for an internal audit function. The Audit Committee considered that the systems and procedures employed by the Manager and the Administrator provided sufficient assurance that a sound system of internal control, which safeguards the Company's assets, has been maintained. An internal audit function specific to the Company is therefore considered unnecessary.

The Audit Committee examined externally prepared assessments of the control environment in place at the Manager and the Administrator with the latter providing an independent service auditor's report in accordance with ISAE 3402 for the year ended 30 September 2015.

Conclusion and Recommendation

After consultations with the Independent Auditor as necessary and reviewing various reports from the Manager such as the quarterly performance reports and portfolio attribution and portfolio turnover reporting and assessing the significant financial statement issues listed on page 17, the Audit Committee is satisfied that the Financial Statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The Committee further concludes that the Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the Company's performance, business model and strategy.

At the conclusion of the external audit process, the Independent Auditor reported to the Committee that no material misstatements were found in the course of its work. Furthermore, both the Manager and the Administrator confirmed to the Committee that they were not aware of any material misstatements including matters relating to presentation. The Committee confirms that it is satisfied that the Independent Auditor has fulfilled its responsibilities with diligence and professional scepticism.

Following the detailed review and evaluation processes identified in this report, the Committee has concluded that the auditors have acted independently in the work undertaken on behalf of the Company and has recommended to the Board that Deloitte LLP be reappointed as Independent Auditor of the Company for the coming financial year.

For any questions on the activities of the Committee not addressed in the foregoing, a member of the Audit Committee remains available to attend each Annual General Meeting to respond to such questions.

Peter Niven
Audit Committee Chairman
16 March 2016

Independent auditors' report

Independent auditor's report to the members of India Capital Growth Fund Limited

Opinion on financial statements of India Capital Growth Fund Limited ("the Company")

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

The financial statements comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Company

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the Company contained within the Directors' Report on page 17.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 15 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on page 15 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 1 of the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 17 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Valuation of the Company's Investment in its Subsidiary The Company's investment in its subsidiary has a fair value of £60.5m (2014: £55.8m) as at 31 December 2015. This is comprised solely of an equity investment in the Company's wholly owned subsidiary, ICG Q Limited ("ICGQ"). The fair value of ICGQ reflects the underlying fair value of the net assets of its subsidiary. ICGQ's underlying investments comprise listed equity securities. Errors or deliberate manipulation of valuations or of recorded investment holdings could result in material misstatement of the financial statements. Details of the investments are disclosed in notes 5 and 11 and the accounting policies relating to them are disclosed in note 1. Investments are the most quantitatively significant balance in the Statement of Financial Position of ICG Q and are an area of focus as they drive the net asset value of ICGQ and ultimately of the Company.	In order to test the investments balance as at 31 December 2015 we performed the following procedures: - Assessed the design and implementation of controls relating to the valuation of investments, including controls adopted by the Company's administrators; - Assessed the valuation policy and methodology adopted by management in comparison to IFRS and industry practice; - Reconciled the number of underlying equity shares held by ICGQ as at 31 December 2015 to an independently received custodian confirmation; - Obtained independent pricing information as at 31 December 2015 in order to recalculate the fair value of all of the investments held by ICGQ; and - Tested the initial cost and cut-off of investment transactions by agreeing the purchase and sale of a sample of ICGQ's equity shares to independent confirmations.

The description of risk above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 21.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Company to be £605,000, which is approximately 1% of net assets. In determining the materiality, we considered what the most important balances on which the users of the financial statements would judge the performance of the Company. As the investment objective of the Company is primarily to invest for capital appreciation, we consider the net asset value of the Company to be a key performance indicator for shareholders.

In 2014 the previous auditor set materiality at £557,000 which is approximately 1% of equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £12,000 (2014: £28,000 agreed by the previous auditor), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal controls, and assessing the risks of material misstatement.

The Company holds the underlying investment in ICG Q Limited. Deloitte Guernsey carried out the substantive audit work of both the Company and ICG Q Limited and have therefore audited both companies directly.

The administrator maintains the books and records of the Company and its subsidiary. Our audit therefore included obtaining an understanding of this service organisation (including obtaining and reviewing their controls assurance report) and its relationship with the Company.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Corporate Governance Statement

Although not required to do so, the Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed the part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

David Becker (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Recognised Auditor
St Peter Port, Guernsey

Date: 16 March 2016

The maintenance and integrity of the India Capital Growth Fund Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal investments

As at 31 December 2015

HOLDING	TYPE	SECTOR	VALUE £000's	% OF COMPANY NAV
Dewan Housing	Mid Cap	Financials	2,775	4.59
Jyothy Laboratories	Small Cap	Consumer staples	2,659	4.40
Kajaria Ceramics	Mid Cap	Industrials	2,605	4.31
Federal Bank	Mid Cap	Financials	2,392	3.95
Divis Laboratories	Large Cap	Healthcare	2,291	3.79
PI Industries	Mid Cap	Materials	2,244	3.71
Yes Bank	Large Cap	Financials	2,214	3.66
IndusInd Bank	Large Cap	Financials	2,187	3.62
Max India	Mid Cap	Financials	2,082	3.44
Berger Paints India	Mid Cap	Materials	2,077	3.43
Total top 10 equity investments			**23,526**	**38.90**
Other Small Cap	(13 companies)		8,843	14.62
Other Mid Cap	(9 companies)		20,693	34.21
Other Large Cap	(5 companies)		5,189	8.58
Total equity investments			**58,251**	**96.31**
Cash less other net current liabilities of ICG Q Limited			2,258	3.74
Total net assets of ICG Q Limited			**60,509**	**100.05**
Cash less other net current liabilities of the Company			(29)	(0.05)
Total Net Assets			**60,480**	**100.00**

Note:	
Large Cap - companies with a market capitalisation above INR250bn (£2.5bn)	19.64%
Mid Cap - companies with a market capitalisation between INR60bn and INR250bn (£600m - £2.5bn)	57.65%
Small Cap - companies with a market capitalisation below INR60bn (£600m)	19.02%
	96.31%

India Capital Growth Fund

Portfolio statement

As at 31 December 2015

HOLDING	NOMINAL	VALUE £000's	% OF COMPANY NAV
Listed Securities			
Consumer discretionary			
Balkrishna Industries	592,400	1,479	2.44
Dish TV India	2,121,212	1,984	3.28
Exide Industries	1,034,000	1,727	2.86
Mahindra CIE Auto	570,250	1,532	2.53
Motherson Sumi Systems	314,723	2,047	3.39
		8,769	**14.50**
Consumer staples			
Dabur India	387,640	1,092	1.80
Emami	240,000	1,433	2.37
Jyothy Laboratories	621,781	2,659	4.40
Radico Khaitan	86,000	851	1.41
		6,035	**9.98**
Financials			
Arihant Foundations & Housing	55,000	302	0.50
City Union Bank	400,000	1,874	3.10
Dewan Housing	570,890	2,775	4.59
Federal Bank	2,010,000	2,392	3.95
Indian Bank	222,000	822	1.36
IndusInd Bank	1,363,293	2,187	3.62
Max India	128,996	2,082	3.44
Sobha Developers	400,000	1,672	2.77
Yes Bank	270,000	2,214	3.66
		16,320	**26.99**
Healthcare			
Ajanta Pharma	110,000	1,490	2.46
Divis Laboratories	97,550	2,291	3.79
Lupin	440,000	1,494	2.47
Neuland Laboratories	383,505	1,047	1.73
		6,322	**10.45**

Portfolio statement (continued)

As at 31 December 2015

HOLDING	NOMINAL	VALUE £000's	% OF COMPANY NAV
Industrials			
Eicher Motors	12,520	1,474	2.44
Finolex Cables	556,597	1,432	2.37
Good Luck Steel Tubes	871,442	380	0.63
Gujarat Pipavav Port	688,913	986	1.63
Jain Irrigation Systems	859,831	796	1.32
Kajaria Ceramics	68,000	2,605	4.31
Voltas	270,000	1,319	2.18
		8,992	**14.88**
IT			
KPIT	110,000	1,285	2.12
NIIT Technologies	560,000	962	1.59
Tech Mahindra	270,000	1,665	2.75
		3,912	**6.46**
Materials			
Berger Paints India	257,000	2,078	3.44
JK Lakshmi Cement	302,835	894	1.48
PI Industries	277,398	2,244	3.71
Ramkrishna Forgings	386,702	1,077	1.77
The Ramco Cements	270,000	1,608	2.65
		7,901	**13.05**
Total equity investments		**58,251**	**96.31**
Cash and other net current assets of ICG F and its subsidiary		2,258	3.74
Total net assets of ICG Q Limited		**60,509**	**100.05**
Cash and other net current assets of the Company		(29)	(0.05)
Total Net Assets		**60,480**	**100.00**

Audited statement of comprehensive income

For the year ended 31 December 2015

	NOTES	REVENUE £000	CAPITAL £000	YEAR TO 31.12.15 TOTAL £000	YEAR TO 31.12.14 TOTAL £000
Income					
Net gains on financial asset at fair value through profit or loss	5	–	5,073	5,073	21,278
Total income		**–**	**5,073**	**5,073**	**21,278**
Expenses					
Operating expenses	3	(285)	–	(285)	(320)
Foreign exchange losses		(1)	–	(1)	(1)
Other professional fees		–	–	–	(117)
Total expenses		**(286)**	**–**	**(286)**	**(438)**
(Loss)/profit for the year before taxation		(286)	5,073	4,787	20,840
Taxation	6	–	–	–	–
(Loss)/profit for the year after taxation		**(286)**	**5,073**	**4,787**	**20,840**
Earnings per Ordinary Share (pence)	4			6.38	27.79
Fully diluted earnings per Ordinary Share (pence)	4			6.38	27.79

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with IFRS as adopted by the EU. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies, as disclosed in the Basis of Preparation in Note 1.

The profit after tax is the "total comprehensive income" as defined by IAS 1. There is no other comprehensive income as defined by IFRS and all the items in the above statement derive from continuing operations.

The fully diluted earnings per Ordinary Share in respect of the year ended 31 December 2014 was incorrectly calculated and stated in the Annual Report 2014 and has been restated to show the correct figure (see note 4).

The notes on pages 34 to 43 form part of these financial statements.

Audited statement of financial position

As at 31 December 2015

	NOTES	31.12.15 £000	31.12.14 £000
Non-current assets			
Financial assets designated at fair value through profit or loss	5	60,509	55,776
Current assets			
Cash and cash equivalents	1	96	48
Receivables	7	21	8
		117	56
Current liabilities			
Payables	8	(146)	(139)
Net current liabilities		(29)	(83)
Total assets less current liabilities		60,480	55,693
Equity			
Ordinary share capital	10	750	750
Reserves		59,730	54,943
Total equity		60,480	55,693
Number of Ordinary Shares in issue	10	**75,001,463**	**75,001,463**
Net Asset Value per Ordinary Share (pence) – Undiluted	10	**80.64**	**74.26**
Net Asset Value per Ordinary Share (pence) – Diluted	10	**74.09**	**69.83**

The audited financial statements on pages 30 to 43 were approved by the Board of Directors on 16 March 2016 and signed on its behalf by:

Peter Niven

John Whittle

The notes on pages 34 to 43 form part of these financial statements.

Audited statement of changes in equity

For the year ended 31 December 2015

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2015		750	(9,313)	(8,594)	72,850	55,693
Gain on investments	5	-	5,073	-	-	5,073
Revenue loss for the year after taxation		-	-	(286)	-	(286)
Balance as at 31 December 2015		**750**	**(4,240)**	**(8,880)**	**72,850**	**60,480**

For the year ended 31 December 2014

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2014 (restated)*		750	(30,591)	(8,156)	72,850	34,853
Gain on investments	5	-	21,278	–	-	21,278
Revenue loss for the year after taxation		–	-	(438)	-	(438)
Balance as at 31 December 2014		**750**	**(9,313)**	**(8,594)**	**72,850**	**55,693**

* The balance as at 1 January 2014 was restated as a result of the adoption of IFRS 10 from 1 January 2013.

The notes on pages 34 to 43 form part of these financial statements.

India Capital Growth Fund

Audited statement of cash flows

For the year ended 31 December 2015

	NOTES	YEAR TO 31.12.15 £000	YEAR TO 31.12.14 £000
Cash flows from operating activities			
Operating profit		4,787	20,840
Adjustment for:			
Net gain on financial asset at fair value through profit or loss		(5,073)	(21,278)
Foreign exchange losses		1	1
(Increase)/decrease in receivables		(13)	7
Increase/(decrease) in payables		7	(57)
Net cash outflow from operating activities		(291)	(487)
Cash flows from investing activities			
Sale of investments		340	475
Net increase/(decrease) in cash and cash equivalents during the year		**49**	**(12)**
Cash and cash equivalents at the start of the year		48	61
Foreign exchange losses		(1)	(1)
Cash and cash equivalents at the end of the year		**96**	**48**

The notes on pages 34 to 43 form part of these financial statements.

India Capital Growth Fund

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting Policies

Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and interpretations adopted by the International Accounting Standards Board (IASB).

Basis of preparation
The financial statements for the year ended 31 December 2015 have been prepared under the historical cost convention adjusted to take account of the revaluation of the Company's investments to fair value.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies (AIC) in January 2014 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP. In particular, supplementary information which analyses the statement of profit or loss and other comprehensive income between items of a revenue and capital nature has been presented alongside the statement of comprehensive income.

Going concern
The Board have concluded the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern for the next 12 months.

Impact of IFRS 10 'Consolidated Financial Statements'
As set out under IFRS 10, a parent entity that qualifies as an investment entity should not consolidate its subsidiaries. The Company meets all the following criteria to qualify as an investment entity:-

(i) Obtaining funds from one or more investors for the purpose of providing those investors with investment management services - the Board of Directors of the Company has delegated this function to its investment manager, Ocean Dial Asset Management Limited;

(ii) Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both - funds are invested in ICG Q Limited for the sole purpose of achieving capital appreciation via further placements in Indian listed securities; and

(iii) Measures and evaluates the performance of substantially all of its investments on a fair value basis - on a monthly basis, the Company's investment in ICG Q Limited is revalued at the prevailing Net Asset Value at the corresponding valuation date.

(iv) The IFRS 10 Investment Entity Exemption requires investment entities to fair value all subsidiaries that are themselves investment entities. As the subsidiary meets the criteria of an investment entity, it has not been consolidated.

On the basis of the above, these financial statements represent the stand-alone figures of the Company.

Expenses
Expenses are accounted for on an accruals basis. Other expenses, including management fees, are allocated to the revenue column of the statement of profit or loss and other comprehensive income.

Taxation
Full provision is made in the statement of profit or loss and other comprehensive income at the relevant rate for any taxation payable in respect of the results for the year.

Notes to the financial statements (continued)

For the year ended 31 December 2015

1. Accounting Policies (continued)

Investments
The Company's investment is designated at fair value through profit or loss at the time of acquisition. It is initially recognised at fair value, being the cost incurred at acquisition. Transaction costs are expensed in the statement of profit or loss and other comprehensive income. Gains and losses arising from changes in fair value are presented in the statement of comprehensive income in the period in which they arise.

The investment is designated at fair value through profit or loss at inception because it is managed and its performance evaluated on a fair value basis in accordance with the Company's investment strategy as documented in the Admission Document and information thereon is evaluated by the management of the Company on a fair value basis.

The basis of the fair value of the investment in the underlying subsidiary, ICG Q Limited, is its Net Asset Value.

Purchases and sales are recognised on the trade date - the date on which the Company commits to purchase or sell the investment.

The financial asset is derecognised when the rights to receive cash flows from the investment have expired or the Company has transferred substantially all risks and rewards of ownership.

Receivables and payables
Receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Due to their short-term maturities, their fair values approximate their costs.

Payables are recognised initially at fair value and subsequently measured at amortised cost. Due to their short-term maturities, their fair values approximate their costs.

Foreign currency translation
The Company's shares are denominated in Sterling and the majority of its expenses are incurred in Sterling. Accordingly, the Board has determined that the functional currency is Sterling. Sterling is also the presentation currency of the financial statements.

Monetary foreign currency assets and liabilities are translated into Sterling at the rate of exchange ruling at the statement of financial position date. Investment transactions and income and expenditure items are translated at the rate of exchange ruling at the date of the transactions. Gains and losses on foreign exchange are included in the statement of comprehensive income.

Cash and cash equivalents
Cash comprises of Bank current accounts. Cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant changes in value.

Share capital
The share capital of the Company comprises of both Ordinary Shares and Subscription Shares issued. The Company's Ordinary Shares and Subscription Shares have had all the features and have met all the conditions for classification as equity instruments under IAS 32 (amended) and have been classified as such in the financial statements.

Standards, interpretations and amendments to published statements not yet effective
Certain current standards, amendments and interpretations are not relevant to the Company's operations. Equally, certain interpretations to existing standards which are not yet effective are equally not relevant to the Company's operations.

1. Accounting Policies (continued)

Standards, interpretations and amendments to published statements not yet effective (continued)
At the date of the authorisation of these financial statements, the following standards and interpretations which were in issue but not yet effective have not been early adopted in these financial statements.

- Amendments to IFRS 7 and IFRS 9 - Mandatory effective date and Transition disclosures is effective for periods beginning on or after 1 January 2018
- Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 is effective for periods beginning on or after 1 January 2018
- IFRS 14 - Regulatory Deferral Accounts is effective for periods beginning on or after 1 January 2016
- Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants is effective for periods beginning on or after 1 January 2016
- Amendments to IAS 16 and IAS 38 - Clarification of Accountable Methods of Depreciation and Amortisation is effective for periods beginning on or after 1 January 2016
- Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations is effective for periods beginning on or after 1 January 2016
- Amendments to IAS 27 - Equity Method in Separate Financial Statements is effective for periods beginning on or after 1 January 2016
- IFRS 9 - Financial Instruments (issued in 2014) is effective for periods beginning on or after 1 January 2018
- IFRS 15 - Revenue from Contracts with Customers beginning on or after 1 January 2018

The Board has not yet assessed the impact of these standards as they have been recently published. The Directors believe that other pronouncements which are in issue but not yet operative or adopted by the Company will not have a material impact on the financial statements of the Company, but these will continue to be reviewed. These are:

- Amendment to IAS 36 - Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
- Amendment to IAS 32 - Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities
- Amendment to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 – Levies
- Amendments to IAS 19 - Defined Benefits Plans: Employee Contributions
- Annual improvements to IFRSs 2010-2012 cycle
- Annual improvements to IFRSs 2011-2013 cycle

2. Significant accounting judgements, estimates and assumptions

IFRS require management to make judgments, estimates and assumptions that effect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate to the related actual results. The main use of accounting estimates and assumptions occurs in the calculation of the sensitivity analysis. And in relation to the valuation of unlisted investment, actual results may differ from the estimates. It is management's judgement that the Net Asset Value (NAV) of ICG Q Limited is an appropriate proxy for fair value as the Company can control the sale of the subsidiary's investments and therefore no liquidity discount is required.

3. Other expenses

	Year to 31.12.15 £000	Year to 31.12.14 £000
Directors' fees	78	86
D&O insurance	6	6
Administration and secretarial fees	33	39
Audit fee in respect of current year	23	14
Audit fee in respect of prior year	8	-
Broker fee	25	24
Nomad fee	20	20
Registrar fee	10	15
Other professional fees	21	23
General expenses	61	93
	285	320

4. Earnings per share

Earnings per Ordinary Share is calculated on the profit for the period of £4,787,000 (31.12.14 - £20,840,000) divided by the weighted average number of Ordinary Shares of 75,001,463 (31.12.14 - 75,001,463). The fully diluted earnings per Ordinary Share is calculated on the same profit for the period but divided by the diluted weighted average number of Ordinary Shares of 75,001,463 (31.12.14 – 75,001,463). For the years ended 31 December 2015 and 31 December 2014, there was no dilutive impact of the 37,500,710 Subscription Shares on the Earnings per Ordinary Share as the average market price of the Ordinary Shares for the period did not exceed the exercise price of the Subscription Shares of 61 pence.

The Subscription Shares have a subscription date of 6 August 2016. However, if at any time after 6 August 2015 the average middle market quotation for an Ordinary Share for at least 10 consecutive trading days is 5% or more above the subscription price, the Company has the right, but not the obligation, by an announcement on a RIS, to change the subscription date for exercise of the Subscription Shares to an earlier date (being a date not less than 30 days after the Company's announcement) that it is bringing forward the subscription date. In that event, an announcement will be made on a RIS and a notice of the revised subscription date will be given to all holders of the Subscription Shares on the register at 5.00pm on the date falling three business days following the announcement of the revised subscription date.

The fully diluted earnings per Ordinary Share in respect of the year ended 31 December 2014 was incorrectly calculated and stated in the Annual Report 2014 as 20.96 pence and has been restated to show the correct figure of 27.79 pence. Last year, the dilutive impact of the Subscription Shares was stated as 34,416,671 Ordinary Shares but was Nil as the average market price of the Ordinary Shares for the period did not exceed the exercise price of the Subscription Shares of 61 pence.

5. Financial assets designated at fair value through profit or loss

	Unlisted £000	Year to 31.12.15 Total £000	Year to 31.12.14 Total £000
Market value as at 1 January	55,776	55,776	34,973
Sales proceeds	(340)	(340)	(475)
Realised gain on sale of investments	144	144	85
At end of the year	55,580	55,580	34,583
Unrealised gain on revaluation	4,929	4,929	21,193
Fair value at end of year	**60,509**	**60,509**	**55,776**
Fair value of unlisted securities at end of the year		60,509	55,776

The net realised and unrealised gains (totalling £5,073,000) on financial assets at fair value through profit and loss arise from the Company's holding in ICG Q Limited. The movement is driven by the following amounts within the financial statements of ICG Q Limited, as set out below.

	31.12.15 £000	31.12.14 £000
Dividend income	443	512
Other income	1	3
Unrealised gain on financial assets at fair value through profit and loss	1,746	19,399
Realised gain on disposal of investments	3,963	2,217
Investment management fees	(888)	(677)
Other operating expenses	(182)	(132)
Net profit of ICG Q Limited	**5,073**	**21,322**

The equity investment represents ICG Q Limited, the Company's wholly owned subsidiary. ICG Q Limited is incorporated and has its principal place of business in the Republic of Mauritius. The Company holds Participating Shares in ICG Q Limited, which confer voting rights to the Company, hence controlling interests.

6. Taxation

Guernsey

India Capital Growth Fund Limited is exempt from taxation in Guernsey. The Company is exempt under The Income Tax (External Bodies) (Guernsey) Ordinance 1989 (as amended) and paid the annual exemption fee of £1,200.

For the year ended 31 December 2015, the Company had a tax liability of £nil (year ended 31 December 2014: £nil).

7. Receivables

	31.12.15 £000	31.12.14 £000
Other receivables and prepayments	21	8
	21	**8**

8. Payables

	31.12.15 £000	31.12.14 £000
Other payables and accruals	146	139
	146	**139**

9. Segmental information

The Board has considered the provisions of IFRS 8 in relation to segmental reporting and concluded that the Company's activities form a single segment under the standard. From a geographical perspective, the Company's activities are focused in a single area - Mauritius. The subsidiary, ICG Q Limited, focuses its investment activities in listed securities in India. Additional disclosures have been provided in this Annual Report to disclose the underlying information. Assessment of performance by the Board and investment decisions by the Investment Manager are made on the basis of the portfolio as a whole which is provided on pages 28 and 29.

10. Share capital

Authorised Share Capital

Unlimited number of Ordinary Shares of £0.01 each

Issued Share Capital	Number of shares	Share capital
Ordinary Shares of £0.01 each		
At 31 December 2015	75,001,463	750
At 31 December 2014	75,001,463	750

The Company's capital is represented by Ordinary Shares of par value £0.01, and each share carries one vote. They are entitled to dividends when declared. The Company has no restrictions or specific capital requirements on the issue or repurchase of Ordinary Shares.

10. Share capital (continued)

There were no movements in the number of Ordinary Shares during 2015 or 2014. The other distributable reserves relate to share premium arising on issuance of Ordinary Shares only.

Subscription Share Capital	Number of shares	Share capital
Subscription shares		
At 31 December 2015	37,500,710	–
At 31 December 2014	37,500,710	–

The Subscription Shares were issued for nil consideration on 6 August 2014 and have a subscription date of 6 August 2016 at a subscription price of 61 pence per share. However, if at any time after 6 August 2015 the average middle market quotation for an Ordinary Share for at least 10 consecutive trading days is 5% or more above the subscription price, the Company has the right, but not the obligation, by an announcement on a RIS, to change the subscription date for exercise of the Subscription Shares to an earlier date (being a date not less than 30 days after the Company's announcement) that it is bringing forward the subscription date. In that event, an announcement will be made on a RIS and a notice of the revised subscription date will be given to all holders of the Subscription Shares on the register at 5.00pm on the date falling three business days following the announcement of the revised subscription date.

The Subscription Shares do not entitle the holders to dividends or voting rights in the Company.

The diluted Net Asset Value per Ordinary Share assumes the Subscription Shares will be fully exercised at 61 pence per share, increasing the Net Assets by £22,875,000 (31.12.14 - £22,875,000) and also increasing the Ordinary Shares in issue by 37,500,710 (31.12.14 – 37,500,710).

11. Fair value of financial instruments

The following tables shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The analysis as at 31 December 2015 is as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Unlisted securities	–	60,509	–	60,509

The analysis as at 31 December 2014 is as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Unlisted securities	–	55,776	–	55,776

11. Fair value of financial instruments (continued)

The Company's investment in ICG Q Limited, the Company's wholly owned subsidiary is priced based on the subsidiary's net asset value as calculated as at the reporting date. The company has the ability to redeem its investment in ICG Q Limited at the net asset value at the measurement date therefore this is categorised as level 2. The classification within the hierarchy does not necessarily correspond to the Investment Manager's perceived risk of the investment, nor the level of the investments held within the subsidiary. All the underlying investments of ICG Q Limited are categorised as level 1 at 31 December 2015 and 2014. The year-end fair value of those investments, together with cash held in ICG Q Limited, comprise all but an insignificant proportion of the net asset value of the subsidiary.

12. Financial instruments and risk profile

The primary objective of India Capital Growth Fund Limited is to provide long-term capital appreciation by investing predominantly in companies based in India through its subsidiary. The investment policy permits making investments in a range of equity and equity linked securities of such companies. ICG Q Limited's portfolio of investments is predominantly in listed mid cap Indian companies and did not hold any unlisted securities during the year ended 31 December 2015. While the principal focus is on investments in listed equity securities or equity-linked securities, ICG Q Limited has the flexibility to invest in bonds, convertibles and other type of securities.

The specific risks arising from the Company's exposure to these instruments and the Investment Manager's policies for managing these risks, which have been applied throughout the year, are summarised below:

Capital management

The Company is a closed-ended investment company and thus has a fixed capital for investment. It has no legal capital regulatory requirement. The Board has the power to purchase shares for cancellation thus reducing capital and the Board considers on a regular basis whether it is appropriate to exercise such powers. In the year ended 31 December 2015, the Board determined that it was inappropriate to exercise such powers, although continuation of these powers will be sought at the Annual General Meeting. The Notes to the financial statements

Board also considers from time to time whether it may be appropriate to raise new capital by a further issue of shares as occurred in August 2014 when the Board issued subscription shares on the basis of 1 subscription share for every 2 Ordinary Shares. The intention of the issue is to increase the Company's share capital by up to 50% in order to improve liquidity and reduce operating charges as a percentage of assets under management.

The Company holds a single investment in ICG Q Limited, which holds an underlying portfolio of 37 listed equity instruments based in India. Below is an assessment of the various risks the Company may be exposed to via ICG Q Limited.

Market price risk

Market price risk arises mainly from the uncertainty about future prices of the financial instrument held by ICG Q Limited. It represents the potential loss ICG Q Limited may suffer through holding market positions in the face of price movements.

ICG Q Limited's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Manager in pursuance of the investment objectives and policies and in adherence to the investment guidelines and the investment and borrowing powers set out in the Admission Document. ICG Q Limited's investment portfolio is concentrated and, as at 31 December 2015, comprised investment in 37 companies. ICG Q Limited thus has higher exposure to market risk in relation to individual stocks than more broadly spread portfolios.

12. Financial instruments and risk profile (continued)

Market price risk (continued)
ICG Q Limited's portfolio consists predominantly of mid cap listed Indian securities, and thus the effect of market movements is not closely correlated with the principal market index, the BSE Sensex. The BSE Mid Cap Index provides a better (but not ideal) indicator of the effect of market price risk on the portfolio. Assuming perfect correlation the sensitivity of ICG Q Limited to market price risk can be approximated by applying the percentage of funds invested (31.12.15: 96.31%; 31.12.14: 95.71%) to any movement in the BSE Mid Cap Index. At 31 December 2015, with all other variables held constant, this approximation would produce a movement in the net assets of ICG Q Limited of £5,832,000 (31.12.14: £5,338,000) for a 10% (31.12.14: 10%) movement in the index which would impact the Company via a fair value movement of the same magnitude in its holding in ICG Q Limited.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of the financial instruments held by ICG Q Limited will fluctuate because of changes in foreign exchange rates. ICG Q Limited's portfolio comprises of predominantly Rupee denominated investments but reporting, and in particular the reported Net Asset Value, is denominated in Sterling. Any appreciation or depreciation in the Rupee would have an impact on the performance of the Company. The underlying currency risk in relation to ICG Q Limited's investments is the Rupee. ICG Q Limited's policy is not to hedge the Rupee exposure.

ICG Q Limited may enter into currency hedging transactions but appropriate mechanisms on acceptable terms are not expected to be readily available.

At 31 December 2015, if the Indian Rupee had strengthened or weakened by 10% (31.12.14: 10%) against Sterling with all other variables held constant, pre-tax profit for the year would have been £6,045,000 (31.12.14: £5,585,000) higher or lower, respectively, mainly as a result of foreign exchange gains or losses on translation of Indian Rupee denominated financial assets designated at fair value through profit or loss in ICG Q Limited and the consequent impact on the fair value of the Company's investment in ICG Q Limited.

Credit risk
Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with ICG Q Limited. Credit risk in relation to securities transactions awaiting settlement is managed through the rules and procedures of the relevant stock exchanges. In particular settlements for transactions in listed securities are effected by the custodian on a delivery against payment or receipt against payment basis. Transactions in unlisted securities are effected against binding subscription agreements.

The principal credit risks for the Company are in relation to deposits with banks. SBI-SG Global Securities Services Private Limited ("SBI-SG") acts as the principal banker to the Company. The aggregate exposure to the SBI-SG group at 31 December 2015 was £2,272,000 (31.12.14: £2,484,000).

SBI-SG acted as custodian of the Group's assets during the period. The securities held by SBI-SG as custodian are held in trust and are registered in the name of ICG Q Limited. SBI-SG has a credit rating of CRISIL AAA for SBI and A for Societe Generale.

Interest rate risk
Interest rate risk represents the uncertainty of investment return due to changes in the market rates of interest. The direct effect of movements in interest rates is not material as any surplus cash is predominantly in Indian Rupees, and foreign investors are not permitted to earn interest on Rupee balances.

12. Financial instruments and risk profile (continued)

Liquidity risk

Liquidity risk is the risk that ICG Q Limited will encounter in realising assets or otherwise raising funds to meet financial commitments. As the trading volume on the Indian stock markets is lower than that of more developed stock exchanges the Group may be invested in relatively illiquid securities. ICG Q Limited has no unlisted securities. ICG Q Limited's focus is to invest predominantly in mid and small cap listed stocks. As noted in the Investment Manager's Report, minimum liquidity criteria are utilised for new purchases. However there remain holdings where there is relatively little market liquidity, which may take time to realise. The Directors do not believe that the market is inactive enough to warrant a discount for liquidity risk on ICG Q Limited's investments.

ICG Q Limited seeks to maintain sufficient cash to meet its working capital requirements. The Directors do not believe it to be appropriate to adjust the fair value of the Company's investment in ICG Q Limited for liquidity risk, as it has the ability to effect a disposal of any investment in ICG Q Limited's portfolio at the prevailing market price and the distribution of proceeds back to the Company should it so wish.

All liabilities are current and due on demand.

13. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Directors are responsible for the determination of the investment policy and have overall responsibility for the Company's activities. Directors' fees are disclosed on page 21. The Investment Manager is entitled to receive a management fee payable jointly by the Company and its subsidiaries equivalent to 1.5 per cent. per annum of Total Assets, calculated and payable monthly in arrears. The Investment Manager earned £898,000 (see Note 5) in management fees during the year ended 31 December 2015 (31.12.14: £703,000) of which £77,000 was outstanding at 31 December 2015 (31.12.14: £71,000).

Under the terms of the Administration Agreement, Apex Fund Services (Guernsey) Limited is entitled to a minimum annual fee of US$41,000 or a flat fee of 5 basis points of the NAV of the Company, whichever is greater. The Administrator is also entitled to reimbursement of all out of pocket expenses recoverable by way of a fixed disbursement charge of US$50 per month excluding all international calls and courier. The Administrator earned £33,000 for administration and secretarial services during the year ended 31 December 2015 (31.12.14: £39,000) of which £2,900 was outstanding at 31 December 2015 (31.12.14: £3,300).

14. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 31 December 2015 (31.12.14: Nil).

15. Subsequent events

These financial statements were approved for issuance by the Board on 16 March 2016. Subsequent events have been evaluated until this date. There were no subsequent events after year end that required adjustments to the interim financial statements and disclosures to the notes.

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